

1973

# Serving clients -- and their industries

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## Recommended Citation

H&S Reports, Vol. 10, (1973 spring), p. 14-17

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**To serve a client, know his industry—  
and serve his industry as well.**

Why does Haskins & Sells regard this two-fold objective of industry knowledge and industry service as so important? How does the Firm mobilize resources to give its objective practical effect?

# Serving Clients—

"The answer to the first question is fairly simple," according to Executive Office partner Thomas B. Hogan, whose responsibilities include coordination of industry relations and activities. He says, "It stems from the fact that each industry tends to have distinctive characteristics that set it apart from other industries, some more so than others. Unique problems result, and these must be studied to be understood. Moreover, despite the fact that organizations within an industry are basically competitive with each other, their common problems force them to band together, typically in trade associations, for their mutual protection and advancement."

Accountants who are sensitive to their clients' needs and their industries' characteristics and problems are bound to develop constructive contributions, if they are persistent and innovative, whether in the areas of accounting, auditing, financial reporting, tax matters or MAS techniques. These contributions benefit their clients in the first instance, and when the accountants can so skillfully articulate their contributions as to share them with an entire industry they advance the progress of that industry's total membership. By so doing, they can enhance the prospects of the client whose livelihood comes from within that industry.

The answer to the second question—How does the Firm mobilize to meet its objective?—"is more complex," says Tom Hogan, adding that "the challenge is not easily met, since it calls for the skillful coordination of a widespread body of talent operating on what is

sometimes a virtually global basis. It entails the wise allocation of time so as to achieve maximum immediate effectiveness in day-to-day tasks, while preparing imaginatively for future effectiveness in a world of incessant change that causes continuing shifts in industry patterns. Moreover, a successful response to the challenge depends heavily on those subtle qualities of human personality and character that can never be programmed on computers: true intellectual curiosity, persistence in study, a disposition to immerse oneself in new subject areas, and a willingness to 'go the extra mile' not only in acquiring expertise but in sharing it generously with others."

While the years have seen many shifts in the administrative techniques the Firm has used to meet its industry challenge, three basic concepts have clearly shaped the selection of techniques.

First, the partner in charge of an engagement—the man on the firing line who, in the eyes of his client, *is* Haskins & Sells—must personify the Firm's total expertise. He must commit himself to his client's industry and communicate this commitment. His role is paramount, whatever the industry—or industries—in which his client operates.

Second, in fulfilling his commitment, the engagement partner must be aided by the resources of the entire Firm, however they may be structured and wherever they may be located. The Firm has never supposed that any magic wand could be waved by which

industry sophistication could be concentrated at any single point. It has held, instead, that industry expertise must arise from the full interflow of ideas and experience throughout the entire Firm. Effective interflow comes not only from a system of communications but also from a spirit of communications, an alertness to phenomena that affect industries, the enterprise to flag developments to the attention of those with the need to know, and the skill to do so clearly and promptly.

At the Executive Office, for example, there is hardly any unit that does not contribute in one way or another to the interflow of industry expertise. As the Firm's nerve center, the EO tries to monitor all developments that can affect industries: the impact on these industries of accounting principles and procedures; the emergence of auditing concepts and techniques that have special value for particular industries; the effect of taxation on industry operations; and advances in management science that can help an entire industry progress. Moreover, it uses a variety of communication methods—including such vehicles as the Subject File Binder—to channel industry information throughout the Firm.

Third, in backstopping the engagement partner, the Firm must recognize that within the total range of industries there are clearly certain ones in which characteristics and problems are so unique and demanding—or the Firm's activity so substantial—that they must be given special attention in a formal way.

It is this third concept that has given rise to the building of a corps of industry experts for a group of twenty-four selected industries. These experts, who are located throughout the country, are designated as "specialists," or as "coordinators." They have been assigned to industries in these categories: agricultural cooperatives, oil and gas, textile mills, paper and paperboard, publication and printing, primary metals, rail transportation, truck transportation, water



transportation, air transportation, public utilities, retailing, banks, savings and loan, finance companies, mortgage banking, securities brokerage, insurance, hotels and motels, investment companies, leasing, hospitals, educational institutions, and government.

A common thread that runs through most of these industries, giving them unique characteristics and problems, is a strong element of regulation, whether by governments (state, local and federal), quasi-regulatory institutions or trade associations. Frequently this regulation extends to accounting and auditing matters, with the result that special knowledge and skills are required that differ from those needed in other fields. An outstanding example of this is the railroad industry, which has been subject to federal accounting regulation ever since 1914, when the Interstate Commerce Commission introduced its Uniform System of Accounts for railroads.

What sort of people are these specialists and coordinators? With whom do they work? How do they rise to their challenge? How do they seize their opportunities?

First of all, none of them is engaged exclusively in a specialist role, all being active in day-to-day engagement work. One measure of their level of attainment is found in the fact that five of them are partners in charge of practice offices: Del Edens (Boston—education), Tom Hudson (Greensboro—savings and loan), Fred Oliver (Salt Lake City—government), Homer Sayad (St. Louis—utilities) and Russ Tipton (Newark—railroads).

Some of them, like these five, are old hands in their specialties, having years of experience behind them. Others have been assigned only recently, like Clancy Houghton (leasing), Pat Waide (banking), Ed Lang (paper and paperboard) or Ed Lill (securities brokerage). The newer experts not only apply their personal knowledge to industry questions but also build on the heritage left by their predecessors—men like Harold Petrillo, in brokerage,

or Eugene Larkin, in banking.

Some have backgrounds exclusively in public accounting. Others had different experience before coming to the Firm, like John Utley, who was drawn to H&S from his position as deputy chief accountant for the Federal Power Commission. He not only works jointly with Homer Sayad as utilities specialist but also heads a special public utilities department located in the Washington office. In it are John McClellan, who came to the Firm from the Florida Public Utilities Commission, where he was chief accountant, and Robert Hahne, who had previously been an audit principal on utilities engagements in St. Louis. McClellan, incidentally, recently took Utley's place on the AICPA committee dealing with the Federal Power Commission, when Utley became chairman of the Institute's committee on Atomic Energy Commission matters.

While each operates with a high degree of autonomy, specialists and coordinators collaborate closely with several Executive Office partners whose responsibilities affect industry matters most heavily: Clayton Bullock, who coordinates their work in general and counsels them in technical aspects of accounting and auditing; Ken Stringer, who guides them in the use of specialized auditing techniques; Bob Pivik, who assists them in client relations; and John Utley, who counsels in general industry association questions, in addition to serving as a utilities specialist.

Each of the experts works in turn with a corps of others throughout the Firm

# and Their Industries

in his industry, chiefly with partners in charge of engagements, often acting as a kind of coach or educator for them. Because he is the focal point within the Firm for knowledge about his industry, he is frequently able to alert them to important developments long before these developments would otherwise come to their attention. When questions arise on which they are in doubt, the partners who rely on the expert fire queries at him, very often by phone, and he goes into action to draw on whatever resources he needs, inside or outside the Firm, to answer their questions.

This kind of spot questioning occurs frequently in the field of public utilities, where John Utley's Washington group is constantly being asked for their up-to-the-minute estimates on such questions as how the Federal Power Commission is likely to view depreciation accounting for electric power plants—or whether small installations like transmission towers will be considered "buildings" or "equipment" by the Internal Revenue Service.

It goes almost without saying that in any body as large as this corps of experts, some are more successful in meeting their challenges than others. The key to successful achievement seems to lie in an ability to respond to their industry and its problems, to establish a high degree of empathy with it. As Clay Bullock puts it: "Our most successful experts seem to be those who, for whatever reasons, really *like* their industries."

More than that, it is clear that they



invest enormous amounts of time, much of it beyond the workday, in reading and studying, accumulating facts, and organizing them for the fastest possible availability. Fred Oliver estimates that roughly 95 per cent of this kind of effort, which he calls "peripheral" in the sense that it is not related to specific client engagements, has to occur in the late hours of the night. When one really aspires to know an industry, there just isn't enough time in the working day to keep up with the avalanche of periodicals, pamphlets, and books the dedicated specialists feel they must read.

Many of them set up self-contained reference collections, in which they assemble literature for their own use and to loan to others in the Firm as needs arise. Fred Oliver, for example, makes almost a personal avocation of acquiring and filing background material, and it is known throughout the Firm that in researching complex government subjects it is best to start with Fred. In many an important government MAS engagement, the partner in charge has benefited greatly from the packets of materials Fred has gladly shipped to him.

Industry specialists, as well as all others concerned with industry questions, draw heavily on information available in the Executive Office's data base. For example, the research department, headed by Armin Tufer, responds to frequent requests for background information by assembling such

materials as microfiche copies of annual reports of companies in an industry, trade association materials, significant industry statistics, and bibliographies prepared in conjunction with the EO Library. In addition, a computerized record enables the personnel department to supply the names of accountants throughout the Firm who have had considerable audit responsibilities in any given industry. This is very useful to practice offices when unusual staffing needs arise and when they are writing proposal letters that present Firm-wide competence in an industry.

Extensive travel plays an important part in industry specialists' lives, because they must constantly be going to the sources of information they need, or to places where they can communicate their knowledge of industry matters to those anxious to listen, frequently at meetings of trade associations.

Tom Hudson, expert for savings and loan institutions, tells the story of how he and his colleagues became known as "the circuit riders" in the 1950s, when these organizations first came to face serious federal tax problems. Tom and his associates rode up and down Georgia, giving executives at industry association meetings information they badly needed. There were eager audiences, and Tom's people were later asked to carry their program to meetings in other states. Henry Forer of Miami was able to meet the same need in Florida, and today Haskins & Sells speakers are in demand at meetings of this industry throughout the country. Last year they talked on

savings and loan subjects to meetings of various groups in Michigan, Indiana, Ohio, Florida, Georgia, North Carolina, Louisiana, Texas and California.

Sometimes an effective job of writing will lead to a surprising number of speaking engagements on important technical subjects of concern to an industry. This happened in the case of *Bank Costs for Planning and Control*, a book written by Haskins & Sells and published by the Bank Administration Institute. As one result of its impact, meetings of the BAI, the American Management Association and other groups have heard talks by Lowell Pethley, Dick Raupp, Jan Grayson and Bill Hockenberger (all of Chicago).

Arrangements for their presentations were made by Jim Gallagher and Pat Waide of New York, who specialize in the banking industry. Jim's extensive experience in major bank engagements led to several years' service as a member of the AICPA committee on bank accounting and auditing.

Active participation in the committees of the American Institute of CPAs is one way in which the experts can help their industries, particularly when questions of accounting principles are under discussion, or when industry audit guides are being written. Fred Oliver and John Utley chair their respective committees (government and Atomic Energy Commission), while Bob Dickey, who preceded Jerry Kolb as finance companies specialist, is chairman of the Institute's committee on finance companies. Ed Lill has served for several years on the stock brokerage auditing committee, and Del Edens has long been active in the committee on college and university accounting.

Particularly when audit guides are in the stages of discussion draft and exposure draft, the experts find themselves called on by their clients who have been asked by the Institute to comment. The experts are able to give the clients background information that helps them shape their responses.

When accounting principles have



special significance for given industries, the experts can render similar valuable help to their clients. This happened recently, for example, when Clancy Houghton was asked by one of his leasing clients to help prepare the client's position paper on lease accounting questions.

Regular contact with offices that have engagements in a specialist's industry is one key to success. Russ Tipton, for example, who is highly esteemed by clients for his deep knowledge of railroading, says: "I try to visit each of our offices that have railroad clients at least once a year. While there, I make it a point to visit key client executives, learning from them and sharing with them." His intimate understanding of complex industry topics is one reason why Russ is called on so frequently for expert advice and testimony by such bodies as the Interstate Commerce Commission and the Treasury Department. He has also served as an expert witness in tax hearings and other legal proceedings. In all these ways, Russ carries on a tradition of service to the railroad industry that even antedates the establishment of the Firm, whose founding partners, Charles Waldo Haskins and Elijah Watt Sells, started with several rail clients that continue to this day.

Just as life itself is basically unpredictable, so also is it difficult to foresee the circumstances that may require the Firm to broaden its knowledge of a given industry. A case in point is hotels and motels, an industry in which H&S activity was expanded when an office was opened in Las Vegas to serve a major client with interests there in that field. Expertise was developed so quickly by the entire Las Vegas office, particularly in the area of internal control for casinos, that Frank Dennehy (who handles the Firm's specialization in hotels and motels) finds himself called upon for advice from such faraway places as Chile, Switzerland and Sweden.

Nor is it possible to tell when the evolving shape of an industry will give rise to a need for new audit techniques

that ultimately can be applied to other industries. For example, finance companies have moved so far in the use of computer terminals for their accounting records that the conventional audit trails have virtually disappeared. Jerry Kolb, finance companies specialist, has succeeded in working out audit techniques for a Chicago client in this field that will be potentially applicable to other industries, such as retailing, when they move into cash register-computer terminal operations on a large scale. Thus, accomplishments in one industry can have transfer value of high significance to other industries.

What lies beyond the horizon for H&S in industry activities? Surely new industries will claim the same kind of attention now being given to the twenty-four already selected as of special importance. New ways will be found to mobilize Firm-wide resources to serve not only present clients and their industries but those of the future as well.

**But it is safe to say that whatever techniques are used, they will be selected always with those three concepts in mind that were mentioned at the outset: the engagement partner-in-charge must be the personification of the Firm's commitment; the entire resources of the Firm must be harnessed to help him be that personification; and special attention must be paid to those industries in which characteristics are unique and problems compelling.**

What of the young professional who finds himself assigned to a new industry? How can he expand upon the knowledge he acquires in his on-the-job experience, particularly when his curiosity is whetted and he begins to develop a kind of fascination for the industry?

A program of personally planned reading is one of his surest and swiftest routes, and he will want to search out such books as biographies of industry leaders, so that he can come to know what made them what they were, and what motivated them. He will want to

become acquainted with the trade journals of the industry, so that he can keep up with the changing problems with which his clients are wrestling.

He will also be helped by some valuable tools for self-education now on the drawing boards in the Firm's department of professional education and development. These will be elective courses designed to give those who take them general acquaintance with the characteristics and problems of certain selected industries. When ready, they will help anyone whose interest in an industry has been aroused to draw upon the wisdom of the Firm's experts in that field.

One of the important benefits his reading will yield to the young professional, when it is combined with practical experience, is an accelerated ability to deal effectively with his clients, because he will be able to demonstrate an interest in their industry and an understanding of it. Kennard Webster, MAS partner in Los Angeles, put it this way last fall in addressing the Firm's annual MAS conference: "If you can't converse comfortably and effectively with a vice president about his business, you haven't arrived yet."

By developing his own industry knowledge, any individual in the Firm will thus contribute to the total effort by which the Firm renders service not only to clients but to their industries as well. □